



The President's Daily Brief

27 July 1971

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FOR THE PRESIDENT ONLY

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PRINCIPAL DEVELOPMENTS

A number of Japanese companies are reconsidering their commercial relationships with Nationalist China and South Korea. (Page 1)

On Page 2, we discuss Romanian leader Ceausescu's attitude toward the meeting of the Council for Economic Mutual Assistance that opens today in Bucharest.

The US Consulate in Dacca has concluded that famine is likely in East Pakistan before the end of the year. (Page 3)

A major opium refinery in northwest Laos has been deliberately burned in response to US pressures for curbing the narcotics trade. (Page 4)

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FOR THE PRESIDENT ONLY**JAPAN**

Several major Japanese corporations have now decided not to attend an annual meeting of a Nationalist Chinese - Japanese committee established a number of years ago to further trade. New Japan Steel and Japan Airlines were the first to cancel out, causing Taipei to revoke its invitations to other firms in order to save face. Moreover, five of the six Japanese shipping firms serving Taiwan plan to terminate their service.

Meanwhile, Toyota Motors is seeking to liquidate its substantial involvement in South Korea, according to sources of the US Embassy in Seoul.

Japanese firms are increasingly sensitive about the wisdom of their involvement in Taiwan and South Korea in view of what they believe is an improving atmosphere for commerce with Communist China. This reaction stems in part from the fact that one of the "Four Principles" governing trade, set forth by Chou En-lai to Japanese businessmen in April 1970, is a ban on business with Japanese firms trading with South Korea or Taiwan. For the near term, Japanese firms are likely to be more interested in reducing the visibility rather than the substance of their trade relationships with Taiwan and South Korea, but over time a growing number of companies will have to choose between the immediate economic benefits of these relationships and the prospect of a more lucrative mainland market.

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ROMANIA-CEMA

Romanian leader Ceausescu will continue to oppose Moscow's version of economic integration at the annual session of the Council for Economic Mutual Assistance (CEMA) that opens today in Bucharest. Divergent interests at the three-day meeting are likely to generate some low-caliber fireworks, especially between Romania and the Soviet Union, over the draft program for developing socialist economic integration.

Ceausescu has reaffirmed his opposition to economic integration in several recent speeches. Last Friday, for example, he stated that "interdependence in production must in no way infringe on national sovereignty." He added that "the times of the policy of domination and diktat are gone forever." Nevertheless, he may be forced to give a little at the meeting and agree to some limited aspects of integration, perhaps as a sop to the Soviets.

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EAST PAKISTAN

According to the US Consulate in Dacca, chances of famine are increasing. The most critical food period will be the last two months of 1971 before the large rice crop is harvested. A smaller crop, due for harvesting in September, will provide some temporary relief, but transport bottlenecks will prevent much of this crop from reaching those areas that need it most.

The government has so far taken no significant steps to speed the movement of foodgrains, and deliveries from the ports to the interior were at a lower level in July than in June. In this situation, the consulate concludes that the government will not be able to move into the deficit areas all of the estimated 1.4 million tons of foodgrain imports needed through December and that starvation is likely to begin in November.

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NOTE

Laos: A major opium refinery and transshipment center in northwest Laos has been deliberately destroyed by fire as a response to US agitation for curbing the traffic in narcotics. The fire apparently was ordered by recently retired Lao Armed Forces commander General Ouan Rathikoun in the hope of conveying the impression that he has severed connections with the opium trade. Destruction of the facility will not significantly reduce the narcotics output from the Thailand-Laos-Burma border area. Some 26 other refineries are currently operating there and more can be set up within a short period of time.

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